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Counsel for Debtors

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

IN RE: §
§
SANDIA DRILLING CO. LTD, LLP § CASE NO. 13-20099
§
§
DEBTOR. § CHAPTER 11

**MOTION PURSUANT TO 11 U.S.C. § 364(C) FOR AUTHORITY TO CONTINUE
AN INSURANCE PREMIUM FINANCE AGREEMENT WITH
FIRST INSURANCE FUNDING CORP.**

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**NO HEARING WILL BE CONDUCTED ON THIS MOTION
UNLESS A WRITTEN OBJECTION IS FILED WITH THE CLERK
OF THE UNITED STATES BANKRUPTCY COURT AND SERVED
UPON THE PARTY FILING THIS PLEADING WITHIN TWENTY-
ONE (21) DAYS FROM DATE OF SERVICE UNLESS THE COURT
SHORTENS OR EXTENDS THE TIME FOR FILING SUCH
OBJECTION. IF NO OBJECTION IS TIMELY SERVED AND
FILED, THIS PLEADING SHALL BE DEEMED TO BE
UNOPPOSED, AND THE COURT MAY ENTER AN ORDER
GRANTING THE RELIEF SOUGHT. IF AN OBJECTION IS FILED
AND SERVED IN A TIMELY MANNER, THE COURT WILL
THEREAFTER SET A HEARING. IF YOU FAIL TO APPEAR AT**

THE HEARING, YOUR OBJECTION MAY BE STRICKEN. THE COURT RESERVES THE RIGHT TO SET A HEARING ON ANY MATTER.

NOTWITHSTANDING THE ABOVE, DEBTOR PLANS TO REQUEST AN EMERGENCY HEARING ON THIS MOTION

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TO THE HONORABLE JUDGE OF SAID COURT:

NOW COMES Sandia Drilling Co., Ltd., LLP (the “Applicant” and/or “Debtor”), and files this *Motion Pursuant to 11 U.S.C. § 364(c) for Authority to Continue An Insurance Premium Finance Agreement with First Insurance Funding Corp.* (the “Motion”), and in support thereof respectfully represent as follows:

This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue in this case is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought herein are §§ 105 and 364 of the Bankruptcy Code.

II.

On May 15, 2013 (the “Petition Date”), Debtor commenced this Bankruptcy Case by filing a voluntary petition for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code. Following the Petition Date, the Debtor has remained in possession of its respective properties and has continued to manage its business as a Debtor-in-Possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code in order to reorganize its operations.

III.

Debtors office and principal place of business is in Waskom, Texas. Debtor operates as a contract driller of oil and gas wells.

IV.

In the ordinary course of business, Debtor must maintain various insurance policies in order to continue its operations. This in the past has been done through insurance policies covering the assets and operations of more than one company, including the Debtor, which have similar ownership. These include Sandia Drilling of Texas, LLC (a debtor in an affiliated case), TMR Exploration, Inc., and the Debtor. The premium amounts due and owing by each insured company are pro-rated between the companies based on the actual coverage cost and each company pays its own portion of the total premium. Among other benefits, this allows for a lower overall cost of insurance. The Debtor and other insureds chose to finance the payment of the premiums and on December 12, 2012, entered into a Commercial Premium Finance Agreement with First Insurance Funding Corp. A true and correct copy of the agreement is attached hereto as Exhibit A and incorporated herein for all purposes (the "Insurance Agreement").

The total premium for the required insurance coverage was \$2,180,940.05. Each of the insureds made their proportionate amount of the down payment of \$327,278.21 requiring the sum of \$1,853,661.84 to be financed. The insurance coverage was for a period of one year and the premium financing was spread over the term of the coverage.

The agreement calls for a monthly payment of \$171,563.12 due on the 12th day of each month during the term of the agreement. This amount is owed and paid by the insureds in the following amounts each month:

Sandia Drilling Co., Ltd., LLP	\$ 1,245.75
Sandia Drilling of Texas, LLC	\$163,937.26
TMR Exploration, Inc.	\$ 6,380.11

V.

The Debtor engaged in discussions with various companies in the business of providing insurance premium financing and determined that First Insurance Funding Corp. offered the most advantageous terms for such financing.

VI.

The insurance policies identified in the Insurance Agreement are crucial to the operation of the Debtor's business and cannot be maintained without the relief requested herein. Thus, the relief sought herein is in the best interest of the estate and its creditors.

VII.

The Insurance Agreement grants First Insurance Funding Corp. a lien and security interest in any and all unearned or returned premiums which may become payable under the policies identified in the Insurance Agreement. First Insurance Funding Corp.'s lien and security interest in such premiums shall be senior to the rights of the Debtor's Estate in this and any subsequent proceeding under the Bankruptcy Code and to the rights of any person claiming a lien or security interest in any assets of the Debtor to the extent allowed by 11 U.S.C. § 364(c)(1).

VIII.

The Insurance Agreement also assigns to Fist Insurance Funding Corp. a lien and security interest to secure any loss payment under the policies but only to the extent such loss payments would reduce the unearned premiums. Debtor requests that First Insurance Funding Corp.'s lien and security interests in such payments shall be senior to the rights of Debtor's estate in this or any subsequent proceeding under the Bankruptcy Code, but shall be subject to the interest of any mortgagees or other payees.

IX..

The Debtor requests that First Insurance Funding Corp.'s liens and security interests shall be deemed duly perfected without further action by First Insurance Funding Corp.

X.

In the event a default by the Debtor in making the monthly payments under the Insurance Agreement, but subject to ten (10) days prior notice to Debtor and Debtor's right to cure, the Insurance Agreement allows First Insurance Funding Corp. to cancel the insurance policies identified in the Insurance Agreement and apply to the Debtor's account the unearned or returned premiums; and, subject to the rights of loss payees, any loss payments which would reduce the unearned premiums.

XI.

First Insurance Funding Corp. is extending financing under the Insurance Agreement in good faith within the meaning of 11 U.S.C. § 364(e).

XII.

Debtor seeks approval of the Insurance Agreement and its continuation post-petition and for authority to pay its proportionate share of the premium payments on a monthly basis as they come due.

WHEREFORE PREMISES CONSIDERED, the Debtor prays for an Order of this Court approving the Motion and authorizing the Debtor to enter into and continue the Insurance Agreement attached hereto; and for such other and further relief as it may deem appropriate.

SIGNED this the 15 day of May, 2013.

Respectfully submitted,

SEARCY & SEARCY, P.C.

/s/ Jason R. Searcy

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ATTORNEY FOR DEBTOR

CERTIFICATE OF SERVICE

I, the undersigned, certify that a true and correct copy of the above and foregoing was served via electronic means, if available; otherwise, served via regular first class mail to each interested party on the attached service list, on the 15 day of May, 2013.

/s/ Jason R. Searcy

Jason R. Searcy